

MAYOR AND COUNCIL STRATEGIC FOCUS AREA SUBCOMMITTEE
RIO NUEVO/DOWNTOWN, ARTS, CULTURE AND HISTORY
ADMINISTRATIVE ACTION REPORT AND SUMMARY
June 7, 2007

Council Member Trasoff called the Subcommittee meeting to order at 5:00 p.m. in the Mayor & Council Chambers, City Hall Tower, 255 W. Alameda, 1st Floor, Tucson, Arizona.

COUNCIL MEMBERS PRESENT: Nina Trasoff, Subcommittee Chair, Council Member - Ward 6
Council Member Jose Ibarra, Council Member - Ward 1
Steve Leal, Council Member - Ward 5

STAFF LIAISON PRESENT: Greg Shelko, Rio Nuevo Director

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<p>1. Call to Order</p> <p>Chair Trasoff called the meeting to order at 5:00p.m.</p>	
<p>2. Call to the Audience</p> <p>Rick Luyties, El Presidio Neighborhood Association President complimented Transportation's work and spoke in support of their recommendations regarding the warehouses. He said the neighborhood's contact with Town West has been a little rocky in the past, but he is hopeful that they can restart the dialog and collaborate with them in the future on the El Mirador project.</p> <p>Jim Wilcox with the International Sonoran Desert Alliance spoke on two issues. First, he said that David Aguirre, who is out of town, supports the resolutions with one caveat - he doesn't think the artists need to be evicted and would like for the City to keep the tenants in place. Second, he delivered a proposal to the subcommittee members to combine three existing warehouses into one property to be financed by New Market Tax Credits, State Preservation Funds and a first mortgage. He's also interested in constructing 50 new units of affordable artist lofts on three vacant lots. For this, he submitted a plan for a \$14 million project deal with a \$450,000 gap for funding that cannot be billed from existing governmental and private sources.</p> <p>Michael Toney spoke about the revised 2006 HB 2702. He supports a new arena, infrastructure and the arts, but questions using money to build roads. He believes the bill intended for there to be no eminent domain, that the district's boundaries cannot be changed, and doesn't think TIF funds can be used for a hotel. He also believes that the Science Center was a radical departure from what was proposed and is illegal.</p> <p>Brian Kelly, a part of the Steinfeld Warehouse for over 20 years, poignantly spoke about the effort that was put into the Steinfeld Warehouse project and hopes if in end the warehouse is not there for him, that it's there for other Tucson community artists.</p>	

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Roberto Bedoya, Executive Director of the Tucson Pima Arts Council (TPAC) thanked the subcommittee for “carrying the water”, but said they don’t have to do it by themselves and offered TPAC’s assistance to do it together.

3. Recommendations for the Disposition of Certain State of Arizona Department of Transportation (ADOT)-Controlled Property(s) in the Historic Warehouse Arts District

Jim Glock, Director of Transportation presented. The two properties being discussed today are the first of many ADOT-controlled properties that will need to be addressed in the near future.

Steinfeld Warehouse

Mr. Glock stated the most pressing issue with the Steinfeld Warehouse is ADOT’s recognition that the last mile of the Barraza-Aviation parkway is no longer part of the State’s system, so they cannot retain ownership of the structure. The deadline to dispose of the building, evict the tenants and convey the property to the City of Tucson is July 31st.

Once the property is conveyed to the City, life threatening building safety issues will need to be addressed. A report prepared by Corky Poster estimates that \$1.4 million is needed for structural improvements to the building to withstand the construction activity associated with the railroad underpass right next to and outside the walls of the warehouse. Once funding is approved, staff will design, contract and make the improvements to the warehouse. The work cannot be done by the July 31st deadline. The tenants will have to be relocated. He said staff is working with the City Attorney’s Office to justify the expenditure of transportation dollars to relocate the occupants to another location.

Once the building can be occupied and secured for construction of the underpass, the City would transfer it through a negotiated lease and purchase agreement. The agreement would be written to ensure that any investments in the building by the entity would be considered at the end of the lease and reflected in the final sale price of the building. The building is considered an asset of the Highway User Revenue Fund (HURF) and under state law HURF must be compensated. State law states the appraised value must be received and that the proceeds must go back into HURF when it is sold. Its appraised value now is \$270,000. Staff has been able to justify to the Regional Transportation Authority that the structural improvements to the building are an eligible transportation expense, but it could end up changing the appraised value when it is finished and sold. The master leaseholder needs to know going in that in the end, HURF and the RTA need to be reimbursed.

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Council Member Leal thanked everyone involved especially the building tenants for getting an independent engineer to do an alternative critique on the project. It helped the State, City and subcommittee by providing some perspective on what might be possible to get to this point. He's grateful that people persisted in putting the deal together financially. Regarding the future of the building, he's concerned that if the warehouse were transferred over to private sector activity not associated with art that it would cripple the future of the warehouse district. Also, the situation is exasperated if the artists are dispersed around the community, because the critical mass of artists in the district is minimized. The proposal still has some risk and burden to it in that the artists are displaced. His solace is that it may only be for a year, as opposed to years, which increases the likelihood that the artists will return.

Council Member Leal said although he thinks using transportation funds for relocation is legitimate, he would still like staff to look for other funding sources like bed tax money from the hotel or Rio Nuevo. The transportation money has legal tethers attached to it in terms of the final sale price in the future. He wants to keep the warehouse affordable and available to middle income blue-collar artists. He also wants the artists returned as soon possible.

Council Member Leal stated that subcommittee members want thoughtful covenants put into the lease/purchase agreement because the City has had some painful experiences with a couple of non-profits. One in particular, started out being very community minded and over time one or two people were controlling it and using it for their own purpose. The agreement needs to have language that talks about arts accountability and they need to know that a high-end gallery would be inappropriate. Also, if the organization mismanages it, it gets shifted back to the City to reallocate to some other non-profit. Finally, there needs to be some mechanisms to protect the mission of the downtown arts district and public purpose and the nature of the activity forever really in perpetuity.

Chair Trasoff thanked the State for their flexibility in extending the original deadline. She knows that their primary concern and responsibility, as is the City's, is health and safety of the people they serve. She echoed Council Member Leal's concerns and said the warehouse must retain the kind of art, flavor and people that are in there now. It's an anchor for the warehouse arts district. However, one concern that has come up is how it would be governed. So, an idea for RFP was developed. She said at least three organizations so far, have expressed an interest in being the master leaseholder. The person or entity would have to demonstrate financial ability, have a proven track record to move forward and maintain the building. The City will use restrictions and performance obligations into the agreement. Also, the subcommittee and Mayor and Council shouldn't make decisions about which artists should be there and what is art. They need to have somebody who has the wherewithal and represents the best interests for the arts community to make that decision.

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Chair Trasoff motioned to move forward with the recommendations in Mr. Glock's June 6, 2007 report, which includes:

- Transferring the warehouse title from ADOT to the City of Tucson;
- Moving the current tenants within arts district;
- identifying a master leaseholder and negotiating lease/purchase agreement for further improvements;
- Contracting for structural repairs identified in Poster Frost report; and

In addition, staff should be:

- Looking at other funding options to make the improvements to the building and relocating the artists to ensure that it occurs as quickly as possible; and
- Putting out an RFQ/RFP for the non-profit organization

Council Member Leal seconded the motion. Motion passed unanimously (3 to 0)

Zee's Warehouse

The second property Mr. Glock spoke about was the Zee's Warehouse located at Toole Avenue and Stone. The property is different in that staff knows that the Downtown Links projects will not impact the parcel and the City is in a position to transfer it from a government asset to a private-sector asset. The current occupant, Zee Haag, has expressed an interest in purchasing not only this building, but also two adjacent parcels. However, the current tenants in the adjacent parcels might have an interest as well. Although ADOT has not moved forward on the two parcels, they are willing to dispose of them.

Mr. Glock recommends the following terms for the sale of the property:

- the building be consistent with the Tucson Historic Warehouse Arts District Master Plan;
- the owner agrees to cooperate with the streetscape and façade improvements associated with the artwalk;
- the building not be left vacant;
- the owner pursue bringing it back up to Certificate of Occupancy status;
- that there be a deed restriction holding him up to those standards;
- respect that the warehouse is a contributing historic warehouse to the Historic Warehouse Arts District; and
- comply with treatments of the historic structure with State and National standards.

DIRECTOR OF
TRANSPORTATION
Is responsible.

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Chair Trasoff said it has to be kept in the same basic format and continue to perform as a contributing warehouse. It cannot be torn down and made into something big, new and modern. It has to continue contributing, not just as a historic warehouse, but to the arts in the warehouse district. Mr. Haag will also have to work with the City as the City does streetscape improvements along Toole Avenue. Mr. Haag is under the same July 31st deadline.

Chair Trasoff asked staff to meet with the other tenants and Mr. Hag on the other two parcels that are not in immediate jeopardy and figure out the best way to move forward and return to the June 19th Study Session.

Council Member Leal commented that he was heartened to hear about the investment and upgrades proposed by Mr. Haag and that the other two tenants are interested as well. Although Mr. Haag has proven to be a good downtown partner, he'd prefer to get the artists in those spaces be independent. The more independent participants we have downtown, the better. All of them need to understand that not only must they take care of the structure and fit in with the master plan, but keep middle class and blue collar artists downtown. He doesn't want it becoming an elite enclave of boutiques

Council Member Leal motioned for staff to transfer title for the Zee's Warehouse to Mr. Haag with the terms listed in Mr. Glock's June 6, 2007 report and that staff meet with Mr. Haag and the tenants of the other two parcels regarding the their future. Council Member Ibarra seconded the motion. Motion passed unanimously (3 to 0).

DIRECTOR OF
TRANSPORATION
 Is responsible.

4. Review Process Upon Receipt of Responses to the convention Center Headquarters Hotel Request for Qualifications (RFQ)

Greg Shelko, Downtown Development Director reported the composition of teams that submitted qualifications:

- Phelps Development and Diamond Rock Plaza Partners (Hotel Arizona) – their team included a representative from Trammel Crow as their real-estate investment advisor contemplate a Hilton flag
- Allan Norville's team includes Starr Pass developer Chris Ansley, HOK Architects, and proposes a Marriott Hotel
- Southwest Value Partners – is interested in a inter-continental hotel (Crown Plaza) and included General Growth as a partner which can deliver some substantial retail and urban amenities to a project
- Faulkner USA is interested in pursuing a Hyatt in downtown;
- Garfield Traub, the Arena Development Team submitted a comprehensive proposal and are interested in bringing a Sheraton to town. They have a credible

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team of developers that have done major urban retail and destination shopping in other cities.

- Gaylord Entertainment is a unique hotel format and sees a hotel and convention business synergy under one roof
- Bourn Partners did not include a hotel, but proposed major mixed-use redevelopment that would be accessory uses to any hotel that the City might select

Mr. Shelko said an advisory committee was identified that would assist the City in making a decision about short-listing the responses. It's going to be a difficult process because the teams are eminently qualified. They plan to complete the evaluation process in the next 10-14. The next RF step will lead to specific ideas for the redevelopment of the land and the delivery of a hotel that's going to make this urban center a vibrant place. There will be public participation to solicit input as the process continues. The community will be apprised of and engaged with what is being considered. Staff will return in late fall/early winter with a recommendation for a selected development team or a combination of respondents. The goal is to get Mayor and council direction by the end of the year to negotiate development and related agreements. Retail uses were anywhere from a couple to several hundred thousand square feet of commercial space, and some proposals included significant amounts of housing as part of the development. In the end, the community will have a high-density urban area offering everything from a hotel, to shopping, to eating and entertainment. The City will have to contribute in some ways for parking and public amenities.

Chair Trasoff asked if they could put together the best of everything? Mr. Shelko responded that the RFQ was written in such a way that the City has the right to reject all proposals, accept one proposal, or select components of proposals.

Council Member Leal said the people on the screening committee have particular frames of reference, a lot of them have to do with real estate construction feasibility and management issues; but the subcommittee's frames of reference are the community. It would be helpful to have further discussion at the subcommittee before it goes to the full Mayor and Council. Mr. Shelko said the RFP process requires that they engage the community and presentations are proposed in September, and there will be opportunities for engagement in the future. This RFQ stage is to determine what teams have the credibility and experience to do a development the likes of which we envision and they are proposing.

Council Member Leal requested staff return to the subcommittee so they can create some parameters and vision before they go out to the community.

CITY MANAGER'S
OFFICE
is responsible

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5. Adjournment

Chair Trassoff stated that the next meeting would be July 12 at 5:00 p.m. in M&C Chambers. Items will include the Arts Inventory Project and a presentation by Robert Knight, Executive Director of the Tucson Museum of Art regarding their vision for the arts.

Meeting was adjourned at 6:15 p.m.
